

SOLICITOR

MAY 27 1998

#40
RECEIVED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

U.S. PATENT & TRADEMARK OFFICE

MAY 19 1998

98- 547

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

FILED

U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

Misc. Docket No. _____

MAY 19 1998

JAN HORBALY
CLERK

IN RE PARAGON SERVICES INTERNATIONAL, INC.

Petitioner

PETITION FOR WRIT OF MANDAMUS

John P. Sutton
BRYAN, HINSHAW & BARNET
425 California Street, Suite 900
San Francisco, California 94104

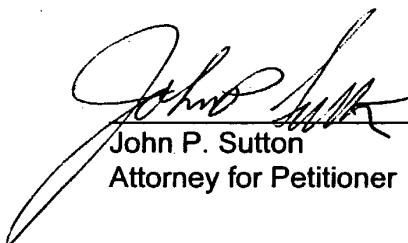
Counsel for Petitioner certifies the following:

1. The full name of the party represented by me is: Paragon Services International, Inc.
2. The name of the real party in interest: not applicable.
3. The parent subsidiaries and affiliates of the party: not applicable.
4. The names of all law firms and partners and associates that appeared for the party now represented by me in the Patent and Trademark Office in parent applications are: (a) Daniel J. Kluth, Schwegman, Lundberg & Woessner, 80 South Eighth Street, Minneapolis, MN 55402, formerly of Merchant, Gould, Smith, Edell, Welter & Schmidt, 3100 Norwest Center, Minneapolis, MN 55402.

Respectfully Submitted

Dated: May 14 1958

BRYAN HINSHAW BARNET



John P. Sutton
Attorney for Petitioner

TABLE OF CONTENTS

TABLE OF AUTHORITIES	iii
STATEMENT OF FACTS	1
STATEMENT OF THE ISSUES	2
RELIEF SOUGHT	9
ARGUMENT	10
CONCLUSION	11

TABLE OF AUTHORITIES

CASES

<i>Gould v. Quigg</i> , 3 USPQ 1302 (Fed. Cir. 1987).....	8
<i>Ex parte Erlich</i> 22 USPQ2d 1463 (BPAI 1992).....	8
<i>In Re Zurko</i> , Fed. Cir. Appeal 96-1258, decided May 4, 1998.....	10

STATUTES AND REGULATIONS

28 U.S.C. §1651(a).....	1
35 U.S.C. § 102.....	3, 6
35 U.S.C. § 103(a).....	2, 6, 8
37 C.F.R. § 1.181(a)(3).....	2, 9

IN RE PARAGON SERVICES INTERNATIONAL, PETITIONER

Petitioner Paragon Services International, Inc. petitions for a writ of mandamus directing the Commissioner of Patents and Trademarks to supervise Examiner Matar, who has refused to issue a patent for six years based on references that are not prior art. This Petition is based upon 28 U.S.C. § 1651(a) and Fed. Cir. Rule 21.

STATEMENT OF FACTS

James H. Alleman invented a system for reducing the cost of long distance telephone calls between residents of foreign countries and called parties in this or another country. The system uses a subscription service employing direct inward dialing ("DID"), by which there is no charge to the calling subscriber because there is no completed call to a called party.

By treaty, a caller in one country calling a party in another country that is a signatory to the treaty cannot be charged for a call that is not picked up by the called party. The DID system identifies the calling party by the incoming number that is dialed, without any need to pick up the receiver and incur a charge for the call. The call-back system of the present invention automatically calls back the subscriber identified by the DID number that is dialed. Thus, the first charge that is incurred is from the central location in a country where telephone rates are low to the subscriber in a country where telephone rates are higher.

When the calling party answers the callback from the system of the present invention, he dials in the number of the called party, and the system automatically calls the called party on another outgoing circuit from the low-cost country, such as the United States. Both of the toll calls (to the calling party and to the called party) are thus

from the lower cost country, rather than from the higher cost country where the subscriber resides.

The system has enjoyed remarkable success in the past six years, but because no patent has issued to Dr. Alleman, applicant has had little participation in the success of his invention. Dr. Alleman assigned his invention to Paragon Services International, Inc., one of the many users of the invention. The international call-back business is now dwindling, and if no patent issues in the near future, the right to exclude will be of little value.

STATEMENT OF THE ISSUES

1. Where a patent examiner expressly acknowledges that a reference is not prior art, but relies on the reference in a rejection under 35 U.S.C. §103(a), does the Commissioner of Patents and Trademark have a duty to supervise the patent examiner pursuant to Petition under 37 C.F.R. § 1.181(a)(3)?
2. Where the Commissioner of Patents and Trademarks declines to supervise a patent examiner pursuant to Petition under 37 C.F.R. § 1.181(a)(3), does this Court have supervisory authority over the Commissioner to direct him to consider "the differences between the subject matter sought to be patented and the prior art"?

A. PROSECUTION HISTORY

The original application for the Alleman invention was filed on April 24, 1992. Examiner Ahmad Matar was assigned to the case, and rejected all claims on several grounds. A continuation-in-part was filed on June 2, 1994, and all claims were rejected on prior art in the popular literature, in combination with prior patents. In particular, Examiner Matar stated in his Examiner's Answer in the continuation-in-part case that

the claims were rejected on two Business Week articles dated April 13, 1992 and December 2, 1991, in combination with three U.S. patents (Exhibit 1 attached, page 2).

However, in making a rejection under 35 U.S.C. § 102, Examiner Matar stated that he was *not* relying upon the Business week articles. Rather, in response to the argument that "the Business Week articles are not prior art," he said that the "prior art is the IDT machine not the business Week articles." (*id.* at page 14). No machine is in the record, and applicant has never been given access to the prior art relied upon by the Examiner.

All that was disclosed to applicant was the Business Week articles and "the article in The Economist magazine" in support of the proposition that "the prior art is NOT the Business Week articles, *per se*, the prior art is the IDT machine." (*id* at 14-15). The Economist article was published September 12, 1992, *after* the filing date of the parent application, so it could not be cited as prior art.

Undaunted by the fact that the article was not prior art, Examiner Matar went on to read the article as disclosing a machine in existence "March 12, 1990." This feat was accomplished by reading the passage in The Economist that "2 1/2 year old International Discount Telecommunication (IDT) uses third-country calling to provide calls between countries" (*id.* at 16) as proof that "the IDT machine ... was built and used in the U.S. on or before March 12, 1990 (*id.* at 17, emphasis present).

This is the speculation of an Examiner out-of-control, making wild assertions unsupported by fact or reality or evidence. There is a need for supervision of such an Examiner.

The fact that the inventor swore behind the cited art was dismissed summarily with the comment that "the Economist article which was submitted by appellant provides evidence that the IDT machine was made and used in the US on or before March 12, 1990 (more than ONE year before the effective filing date of this application which is 4/24/92)" (*id.* at 17, emphasis present). There is absolutely no evidence of that fact.

The appeal in the continuation-in-part case has been pending for over three years, and the Patent and Trademark Office is unable to give an estimate as to when a decision might be reached. Thus, the administrative remedy of filing an appeal is utterly unworkable in this case. There has not yet been any opportunity for review of the decision of Examiner Matar that an article in the popular press giving no structure whatsoever is an anticipation simply because the article alleges that the company that is the subject of the article is two and one half years old. Meanwhile, millions of dollars are being made by users of the invention without any duty to pay tribute to the owner of the invention. Here, delay is loss of revenue. In a very real sense, "Justice delayed is justice denied."

In the total absence of review by the Board, applicant filed a continuation of the continuation-in-part (grandchild) application in an effort to speed prosecution along. The new application was filed February 12, 1997, with a preliminary amendment and two declarations. A personal interview was arranged with Examiner Matar on February 14, 1997 to see whether some sort of claim language could be agreed upon. Examiner Matar did not report for work on February 14, even though he had agreed to come in on his normal day off in view of the fact that counsel was coming to the PTO from

California solely for the interview. The supervisory patent examiner, who was not familiar with the case, agreed to grant an interview on February 14, 1997. She was not sufficiently familiar with the case to make any commitment on claim language that might be patentable. She did indicate that an article stating, as a matter of historical fact, that a company is two and one half years old is not proof that a device anticipating the claims existed two and one half years before the date of the publication. However, she did not supervise Examiner Matar on this or any other point in the prosecution of the grandchild application.

A Petition to Make Special (Exhibit 2 attached) was filed March 13, 1997, on the grounds that the market for international call-back was declining, and prompt issuance of the patent is necessary to license the diminishing use. Specifically, an infringer was identified in the petition as the reason for taking the application out of turn.

No action on the Petition was given for three months, so applicant filed a Status Inquiry in June, 1997 (Exhibit 3 attached). No response was received to the Status Inquiry, so applicant filed a writ of mandamus (Misc. No. 250) on July 10, 1997, (docketed July 17, 1997). The writ sought to make both the continuation-in-part case on appeal to the Board, as well as the grandchild application, special so that action would be taken more promptly.

The Office of the Solicitor in the PTO has been the only service-oriented PTO entity in this entire drama. The writ brought prompt action from the Solicitor's office, and the Petition to Make Special was granted four days after the writ was docketed, July 21, 1997. Upon the grant of the Petition in the grandchild case, a lawyer in the Solicitor's office called counsel for applicant and requested that the Writ be withdrawn.

The Petition to Make Special had only been filed in the grandchild case, not in the child case pending on appeal, so it was improper to pursue a writ of mandamus to have the child case pending before the Board acted upon. At the time, the Board had estimated that a decision on the appeal would issue in the Fall of 1997, or just a few months after the grant of the Petition to Make Special in the grandchild case. Counsel feared that a new Petition to Make Special in the case before the Board might delay matters by taking the file that might be in the process of preparation of a decision (hearing was waived on the Board appeal) to a Petition Examiner for several months.

Reluctantly, applicant acceded to the Solicitor's request and withdrew the writ of mandamus on July 31, 1997. The motion to withdraw the writ was granted August 21, 1997.

Examiner Matar rejected the claims in the grandchild case on numerous grounds, including the rejection on the Economist article referring to the company that was two and one half years old. In addition, new art was cited, including a 1995 book called "The International Callback Book" (Exhibit 4 attached). As shown on the copyright page (second page of Exhibit 4), the first edition was "February, 1995," three years after the effective filing date of the application. Under no stretch of the imagination can it be fairly characterized as "prior art" under 35 U.S.C. § 102 or §103.

Page 15 of the book says "It is very difficult to fix an exact date" for the first callback service. One rumor is that Viatel first offered commercial callback. They appear to have begun operations in 1992 or 1991" (Exhibit 4). The test of Sections 102 and 103 is not "commercial operations" for "known or used" under Section 102(a).

Surely page 15 does not anticipate the claims of the application. Petitioner here

is *not* seeking a review on the merits, which can only come on appeal. Rather, Petitioner seeks *supervision* of the PTO to make timely inquiry into an allegation that a Patent Examiner has delayed issuance of a patent for six years by relying on references that are not and cannot be prior art, and are admitted by the Examiner to be later, not prior, art.

Likewise, page 16 of Exhibit 4 states that "in 1991 and 1992, companies such as Viatel, International Discount Telephone and Telatlantic automated the process." To the extent it is accurate about IDT, the subject matter of the matter on appeal to the Board, it is directly contrary to the finding by Examiner Matar that IDT had a machine "on or before March 12, 1990." The International Callback Book now relied upon by Examiner Matar proves that the speculation that the IDT machine was commercially used in 1990 was wrong by at least a year.

Exhibit 4, dated in 1995, does not prove anticipation or obviousness because it is *not* prior art. Page 16 concludes that "Although the exact time and place of its inception may be vague, it is clear that by 1992, it had fully arrived on the scene." The effective filing date is in 1992, so the book is not clear evidence of prior use, even if the 1995 book is taken as truthful regarding events in 1995. The Examiner is so clearly wrong in relying on a 1995 book vaguely describing events three years earlier that it is an abuse of discretion to refuse to supervise the purveyor of such nonsense.

Applicant tried every avenue it could imagine to advance the prosecution of the case. Examiner Matar had no suggestions or direction as to what might be done. His only answer was "no," no matter what the proposal. On November 4, 1997, the inventor (from Boulder, Colorado) and counsel (from San Francisco, California), came

for another interview. Examiner Matar wanted his supervisor to be present. No agreement was reached. The International Callback Book in Exhibit B was adhered to in rejecting the claims, as shown by the Interview Summary Record, page 3 (Exhibit 5 attached).

The two Examiners acknowledged that Exhibit B, which includes the International Callback Book, "is not technically prior art" (*id.* page 4). A 1995 book that does not teach the invention cannot be prior art to an application filed in 1992. It is clear that the supervisory patent examiner was not supervising Examiner Matar on November 4, 1997.

A Final Rejection issued December 30, 1997 (Exhibit 6 attached). As shown at page 10, footnote 1, Examiner's Exhibit C, which is used to reject the claims "under 35 U.S.C. 103(a)" consists of an article published in 1995 about the booming market in international callback, and The International Callback Book, also published in 1995. It is admitted on page 11 that Exhibit C "is not technically prior art." Where is it written in Section 103(a) that the words "prior art" include references that are "not technically prior art"? Congress has not rewritten the statute. Nor do the cases of "*Gould v. Quigg*, 3 USPQ 1302 (Fed. Cir. 1987) and *Ex parte Erlich* 22 USPQ2d 1463 (BPAI 1992)," cited at page 11, rewrite the obviousness statute. There is no supervision of a Patent Examiner that admits the references he relies upon are not prior art, and yet rejects the claims as having differences from the prior art that are obvious. If there is no prior art, there are no differences to be compared. In the absence of an act of Congress, the words "prior art" in Section 103 cannot include references that are not prior art.

In order to "invoke the supervisory authority of the Commissioner" to reign in a renegade Examiner who has refused for six years to apply the statute as written, applicant filed another Petition to the Commissioner, this time under 37 C.F.R. § 1.181(a)(3). The Petition is Exhibit 7 attached. The Group Supervisor refused to supervise Examiner Matar, and dismissed the Petition (Exhibit 8 attached). All points were rejected as having been raised more than two months after the event, except for the point about the International Callback Book. That point was dismissed on the ground that it is an appealable issue, not a matter for the Commissioner to supervise.

As we have seen, appeal is not a viable option for getting patent protection from the PTO. Applicant is desperate for supervision of the PTO, and earnestly solicits the assistance of this Court.

RELIEF SOUGHT

It is requested that the Court direct the Commissioner to investigate the allegations of the Petition to determine whether they are true. Dismissing the petition as untimely is *not* the exercise of supervisory authority. While this Court cannot address the merits of the applications, an admonition that the words "prior art" in Section 103 does not include references that are admittedly not prior art would provide some supervisory guidance to the Commissioner.

More importantly, the Commissioner should be directed to examine patent applications more promptly. Six years without meaningful examination is far too long. If the delay were justified by a rejection on prior art, supervision might not be appropriate. But where the art relied upon is not prior, supervision is needed.

It is impossible to supervise the PTO by means of a single writ of mandamus. However, the injustice of this case cries out for relief. Sending a message in this case that the administrative delays are intolerable would help to correct this abuse and others like it in the future.

ARGUMENT

Charles Dickens wrote a short piece in the last century called "A Poor Man's Tale of Patent" about the British Patent Office. While the problems there described differ from those here presented, the ultimate lack of oversight and supervision is common to both stories. Dickens' story was fiction; this one is not. Both deal with an agency that does everything in secret, which bars any public scrutiny.

In the absence of this Writ, there is no way this Court could exercise supervisory authority over the Commissioner to control unjust, illegal, actions against an applicant. The quasi-judicial function is performed in secret, so review of agency actions by the public and competitors of an applicant are impossible. There is a need for supervision, and the grant of this writ will go far in requiring meaningful review of Examiner's actions that are clearly improper. The review by the Commissioner on Petition was almost laughable in its cursory nature.

It is ironic that the Commissioner, in pressing the case of *In re Zurko*, Appeal 96-1258, decided May 4, 1998), argued that this Court could not supervise agency action unless it was arbitrary and capricious, or unsupported by evidence. The Commissioner argued for even less supervision than now exists. If agency action conducted in secret is held to an abuse of discretion standard, supervision by this Court will be severely circumscribed. This Court quoted in its *Zurko* opinion the statement of Senator

McCarran in *APA Legislative History* that Congress intended to declare "this is a government of law rather than men." Examiner Matar has delayed issuance of a patent for six years in violation of the law, without any supervision by the Commissioner or his staff.

It is clear that rejection of claims having an effective date of 1992 cannot be rejected on references dated 1995. Even under an abuse of discretion standard, or an arbitrary and capricious standard, the failure to supervise here would cry for relief. This Court should demand that the renegade Patent Examiner be supervised and told to read the words "prior art" as written in the statute. A 1995 book is not prior art to an application filed in 1992.

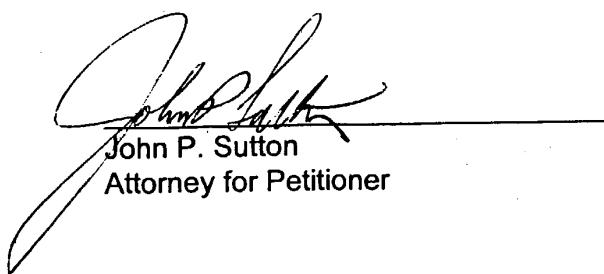
CONCLUSION

The Commissioner should be ordered to investigate the allegations of this Petition and report to the Court the supervisory action taken, if any, within a reasonable time.

Respectfully Submitted,

Dated: May 14/98

BRYAN HINSHAW & BARNET



John P. Sutton
Attorney for Petitioner